

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 2
DATE: January 19, 2007

RECOMMENDATION
INTERNAL AUDIT REPORT

ACTION REQUESTED

It is recommended that the Internal Audit schedule and audit status report for the period November 2006 through December 2006 be received and placed on file.

STAFF SUMMARY

Attached is Rehmann Robson's internal audit schedule for the period ending September 30, 2007.

Also attached is the report prepared by University management on the status of previous audit recommendations from the Regulatory Compliance audit completed in October 2006. As noted in the University's report, management agreed with the internal auditor's recommendation and is in the process of implementing the recommendation. In addition, the previous Dining Services and Payroll audit recommendations have been fully implemented.

FISCAL IMPLICATIONS

The final expended resources for Rehmann Robson are within approved budget limitations.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board Approval.

University Executive Officer

Date

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Eastern Michigan University Internal Audit Schedule
The Rehmann Group
For Period Ending September 30, 2007

<u>Audit</u>	<u>Completed or Start Date</u>	<u>Budget Hours</u>	<u>Actual Hours</u>
Tuition and Fees	Postponed to Apr 2007	150	0
Conflict of Interest	Dec 2006	32	19.4
Housing	Complete	140	133.3
Information Systems - Access Security	Jan 2007	130	0
Purchasing	Jan 2007	140	0
Cash Disbursements	Apr 2007	150	0
Research Grants and Corporate Contracts	Apr 2007	140	0
Risk Management	Jul 2007	100	0
Human Resources-Academic	Jul 2007	80	0
Human Resources-Non Academic	Jul 2007	80	0
Sarbanes-Oxley	Oct 2006	98	8
Planning, Risk Analysis, and Administration	Oct 2006	60	24.5
Special Projects	Oct 2006	100	0
Contingencies	Oct 2006	100	0
Total Hours		<u><u>1,500</u></u>	<u><u>185.2</u></u>
Contracted Rate Per Hour		\$80	\$80
Total Fees		<u><u>\$120,000</u></u>	<u><u>\$14,816</u></u>

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STATUS OF AUDIT RECOMMENDATIONS

January 19, 2007

**Regulatory Compliance
Update-Dining Services
Update-Payroll**

Prepared by
Vice President for Business and Finance Office

INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: REGULATORY COMPLIANCE

Date Completed: OCTOBER 27, 2006

1. **Recommendation:**

Rehmann Robson recommends that a designated office annually request departments to certify that they have reviewed a regulatory compliance listing of their requirements and are in compliance with the requirements. The departments should add new requirements to the listing and delete those that are no longer in effect.

Management's Response:

Management agrees with the recommendation. The Vice President for Business and Finance department will annually request departments to supply them with updates to their regulatory compliance listing. In addition, annual updates may occur more often in departments where there is higher turnover.

Implementation Status:

The University is still in the process of compiling this data. Once this information is formulated by the Vice President for Business and Finance office, on a yearly basis, each Divisional Vice President will verify and indicate that all of his/her regulatory compliance requirements have been satisfied or not. Also, at that time he/she will update their data with additions and/or deletions. In offices where turnover is high, this verification may occur more often.

Verification Date: January 5, 2007

Audit recommendations verified by:

Todd Ohmer

Assistant to the VP for Business and Finance

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INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: DINING SERVICES-UPDATE

Date Completed: AUGUST 21, 2006

1. **Recommendation**

We recommend that FSS automatically use the current approved price during the receiving and invoice verification process.

Management's Response

Management agrees with the recommendation and has changed its system to reflect current approved pricing instead of last price paid. Management is working with its prime vendor, GFS, to have them send us a copy of the file once the prices have been updated weekly so we can look at them to ensure we are getting the correct price. Managers and/or Stock Keepers will be required to bring any issues with pricing to the FSS manager with a copy of the receiving worksheet and a copy of the invoice.

Implementation Status:

The patch from C-bord, our menu management system, is now in place and we are able to see the current price for any menu item.

Verification Date: January 10, 2007

Audit recommendations verified by:

Todd Ohmer

Assistant to the VP for Business and Finance

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INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: PAYROLL-UPDATE

Date Completed: **AUGUST 25, 2006**

1. **Recommendation**

We recommend that the payroll general ledger reconciliations be completed monthly and reviewed and signed by a supervisor.

Management's Response

In the past, these reconciliations were split between Payroll and Human Resources/Benefit staff. We are in the process of bringing them all back to the Payroll Department to be completed on a monthly basis by the payroll accountant under the supervision of the Manager of Payroll and Accounts Payable.

Implementation Status:

All of the delinquent reconciliations found during this audit have been brought up to date.

Verification Date: January 10, 2007

2. **Recommendation**

We recommend that the Payroll Department be assigned responsibility to reconcile the two flexible spending accounts. A supervisor should review and sign the reconcilements. The reconcilements would be more efficient and accurate if new general ledger accounts were set up each year as the new flexible spending account plan year begins.

Management's Response

The Payroll Department will be responsible for reconciling these accounts. Further, this account will be moved to orgs that close out at the end of the fiscal year to facilitate accounting and the reconciliations.

Implementation Status:

Because the employee that elects to have a flexible spending account has until March of the following year to submit receipts to the vendor, the reconciliation cannot take place until after that date. The reconciliation of the calendar year 2006 FSA accounts will take place in April of 2007.

Verification Date: January 10, 2007

Audit recommendations verified by:

Todd Ohmer

Assistant to the VP for Business and Finance